
SENATE BILL No. 575

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 12-20-25-45.

Synopsis: Property tax credits. Provides that the homestead credit does not apply to the extent that the assessed value of the homestead exceeds \$300,000. Limits the application of the state property tax replacement credit with respect to taxes imposed by civil taxing units on residential, commercial, and industrial real property parcels with high assessed valuations. Directs the department of local government finance to determine the savings to the state property tax replacement fund resulting from those changes, and to apply the savings to increase property tax replacement credit payments to school corporations.

Effective: Upon passage.

Skinner, Hume

January 23, 2007, read first time and referred to Committee on Tax and Fiscal Policy.

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First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

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SENATE BILL No. 575



A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-1.1-20.9-2, AS AMENDED BY P.L.162-2006,
2 SECTION 14, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 UPON PASSAGE]: Sec. 2. (a) Except as otherwise provided in section
4 5 of this chapter, an individual who on March 1 of a particular year
5 either owns or is buying a homestead under a contract that provides the
6 individual is to pay the property taxes on the homestead is entitled each
7 calendar year to a credit against the property taxes which the individual
8 pays on the individual's homestead **in an amount determined under**
9 **subsection (b)**. However, only one (1) individual may receive a credit
10 under this chapter for a particular homestead in a particular year.

11 (b) The amount of the credit to which the individual is entitled
12 equals the product of:

13 (1) ~~the percentage prescribed in subsection (d);~~ **twenty percent**
14 **(20%)**; multiplied by

15 (2) the amount of the individual's property tax liability, as that
16 term is defined in IC 6-1.1-21-5, which is:

17 (A) ~~attributable during the particular calendar year to: the~~



1 (i) for a homestead during the particular calendar year, with
 2 a gross assessed valuation that does not exceed three
 3 hundred thousand dollars (\$300,000), the remainder of
 4 the gross assessed valuation of the homestead minus the
 5 deductions referred to in subsection (c)(1); or
 6 (ii) for a homestead with a gross assessed valuation that
 7 exceeds three hundred thousand dollars (\$300,000), the
 8 remainder of the part of the gross assessed valuation of
 9 the homestead that equals three hundred thousand
 10 dollars (\$300,000) minus the apportioned amount of
 11 deductions under subsection (c)(2); and

12 (B) determined after the application of the property tax
 13 replacement credit under IC 6-1.1-21.

14 (c) For purposes of determining that part of an individual's property
 15 tax liability that is attributable to the individual's homestead:

16 (1) all deductions from assessed valuation which the individual
 17 claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which
 18 the individual's homestead is located must be applied first against
 19 the assessed value of the individual's homestead before those
 20 deductions are applied against any other property; and

21 (2) if the gross assessed valuation of the individual's
 22 homestead exceeds three hundred thousand dollars
 23 (\$300,000), the deductions referred to in subdivision (1) and
 24 the deduction under IC 6-1.1-12-37 (if the homestead qualifies
 25 for that deduction) are apportioned proportionately between:

26 (A) the part of the gross assessed valuation of the
 27 individual's homestead that equals three hundred thousand
 28 dollars (\$300,000); and

29 (B) the part of the gross assessed valuation of the
 30 individual's homestead that exceeds three hundred
 31 thousand dollars (\$300,000).

32 (d) The percentage of the credit referred to in subsection (b)(1) is as
 33 follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2002	10%
2003 through 2005	20%
2006	28%
2007 and thereafter	20%

42 However, The property tax replacement fund board established under

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1 IC 6-1.1-21-10 shall increase the percentage of the credit ~~provided in~~
 2 ~~the schedule~~ for any year if the budget agency determines that an
 3 increase is necessary to provide the minimum tax relief authorized
 4 under IC 6-1.1-21-2.5. If the board increases the percentage of the
 5 credit ~~provided in the schedule~~ for any year, the percentage of the
 6 credit for the immediately following year is ~~the percentage provided in~~
 7 ~~the schedule~~ **twenty percent (20%)** for that particular year, unless as
 8 provided in this subsection the board must increase the percentage of
 9 the credit ~~provided in the schedule~~ for that particular year. However,
 10 the percentage credit allowed in a particular county for a particular year
 11 shall be increased if on January 1 of a year an ordinance adopted by a
 12 county income tax council was in effect in the county which increased
 13 the homestead credit. The amount of the increase equals the amount
 14 designated in the ordinance.

15 (e) Before October 1 of each year, the assessor shall furnish to the
 16 county auditor the amount of the assessed valuation of each homestead
 17 for which a homestead credit has been properly filed under this chapter.

18 (f) The county auditor shall apply the credit equally to each
 19 installment of taxes that the individual pays for the property.

20 (g) Notwithstanding the provisions of this chapter, a taxpayer other
 21 than an individual is entitled to the credit provided by this chapter if:

- 22 (1) an individual uses the residence as the individual's principal
- 23 place of residence;
- 24 (2) the residence is located in Indiana;
- 25 (3) the individual has a beneficial interest in the taxpayer;
- 26 (4) the taxpayer either owns the residence or is buying it under a
- 27 contract, recorded in the county recorder's office, that provides
- 28 that the individual is to pay the property taxes on the residence;
- 29 and
- 30 (5) the residence consists of a single-family dwelling and the real
- 31 estate, not exceeding one (1) acre, that immediately surrounds
- 32 that dwelling.

33 SECTION 2. IC 6-1.1-21-2, AS AMENDED BY P.L.67-2006,
 34 SECTION 4, AND AS AMENDED BY P.L.2-2006, SECTION 57, IS
 35 CORRECTED AND AMENDED TO READ AS FOLLOWS
 36 [EFFECTIVE UPON PASSAGE]: Sec. 2. As used in this chapter:

37 (a) "Taxpayer" means a person who is liable for taxes on property
 38 assessed under this article.

39 (b) "Taxes" means property taxes payable in respect to property
 40 assessed under this article. The term does not include special
 41 assessments, penalties, or interest, but does include any special charges
 42 which a county treasurer combines with all other taxes in the

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1 preparation and delivery of the tax statements required under
2 IC 6-1.1-22-8(a).

3 (c) "Department" means the department of state revenue.

4 (d) "Auditor's abstract" means the annual report prepared by each
5 county auditor which under IC 6-1.1-22-5 is to be filed *on or before*
6 *March 1 of* each year with the auditor of state.

7 (e) "Mobile home assessments" means the assessments of mobile
8 homes made under IC 6-1.1-7.

9 (f) "Postabstract adjustments" means adjustments in taxes made
10 subsequent to the filing of an auditor's abstract which change
11 assessments therein or add assessments of omitted property affecting
12 taxes for such assessment year.

13 (g) "Total county tax levy" means the sum of:

14 (1) the remainder of:

15 (A) the aggregate levy of all taxes for all taxing units in a
16 county which are to be paid in the county for a stated
17 assessment year as reflected by the auditor's abstract for the
18 assessment year, adjusted, however, for any postabstract
19 adjustments which change the amount of the aggregate levy;
20 minus

21 (B) the sum of any increases in property tax levies of taxing
22 units of the county that result from appeals described in:

23 (i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after
24 December 31, 1982; plus

25 (ii) the sum of any increases in property tax levies of taxing
26 units of the county that result from any other appeals
27 described in IC 6-1.1-18.5-13 filed after December 31,
28 1983; plus

29 (iii) IC 6-1.1-18.6-3 (children in need of services and
30 delinquent children who are wards of the county) (*before its*
31 *repeal*); minus

32 (C) the total amount of property taxes imposed for the stated
33 assessment year by the taxing units of the county under the
34 authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed),
35 IC 12-19-5, or IC 12-20-24; minus

36 (D) the total amount of property taxes to be paid during the
37 stated assessment year that will be used to pay for interest or
38 principal due on debt that:

39 (i) is entered into after December 31, 1983;

40 (ii) is not debt that is issued under IC 5-1-5 to refund debt
41 incurred before January 1, 1984; and

42 (iii) does not constitute debt entered into for the purpose of

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building, repairing, or altering school buildings for which the requirements of IC 20-5-52 (repealed) were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

- (i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus
- (ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

- (i) IC 21-2-15 (*before its repeal*) or IC 20-46-6 for a capital projects fund; plus
- (ii) IC 6-1.1-19-10 (*before its repeal*) or IC 20-46-3 for a racial balance fund; plus
- (iii) IC 36-12-12 for a library capital projects fund; plus
- (iv) IC 36-10-13-7 for an art association fund; plus
- (v) IC 21-2-17 (*before its repeal*) or IC 20-46-2 for a special education preschool fund; plus
- (vi) IC 21-2-11.6 (*before its repeal*) or IC 20-46-1 for a referendum tax levy fund; plus
- (vii) an appeal filed under IC 6-1.1-19-5.1 (*before its repeal*) or IC 20-45-6-8 for an increase in a school corporation's maximum permissible *general fund* tuition support levy for certain transfer tuition costs; plus
- (viii) an appeal filed under IC 6-1.1-19-5.4 (*before its repeal*) or IC 20-46-4-10 for an increase in a school corporation's maximum permissible *general transportation* fund levy for transportation operating costs; minus

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(H) the amount of property taxes imposed by a school corporation that is attributable to the passage, after 1983, of a referendum for an excessive tax levy under ~~IC 6-1.1-19~~ IC 6-1.1-19-4.5 (before its repeal), including any increases in these property taxes that are attributable to the adjustment set forth in IC 6-1.1-19-1.5 (before its repeal), IC 20-45-3, or any other law; minus

(I) for each township in the county, the lesser of:

- (i) the sum of the amount determined in IC 6-1.1-18.5-19(a) STEP THREE (as effective January 1, 1990) or IC 6-1.1-18.5-19(b) STEP THREE (as effective January 1, 1990), whichever is applicable, plus the part, if any, of the township's ad valorem property tax levy for calendar year 1989 that represents increases in that levy that resulted from an appeal described in IC 6-1.1-18.5-13(4) (as effective before January 1, 1989), filed after December 31, 1982; or
- (ii) the amount of property taxes imposed in the township for the stated assessment year under the authority of IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory established under IC 36-8-19-1, the amount of property taxes levied by each participating unit under IC 36-8-19-8 and IC 36-8-19-8.5 less the maximum levy limit for each of the participating units that would have otherwise been available for fire protection services under IC 6-1.1-18.5-3 and IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

- (i) the amount of property taxes imposed in the county for the repayment of loans under IC 12-19-5-6 (repealed) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN (as effective January 1, 1995) for property taxes payable in 1995, or for property taxes payable in each year after 1995, the amount determined under IC 12-19-7-4(b) (as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March 15, 2004); and
- (ii) the amount of property taxes imposed in the county attributable to appeals granted under IC 6-1.1-18.6-3 (before its repeal) that is included in the amount determined under IC 12-19-7-4(a) STEP SEVEN (as effective January 1, 1995) for property taxes payable in 1995, or the amount determined under IC 12-19-7-4(b) (as effective before March 16, 2004) and IC 12-19-7-4 (as effective after March

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- 1 15, 2004) for property taxes payable in each year after 1995;
 2 plus
 3 (2) all taxes to be paid in the county in respect to mobile home
 4 assessments currently assessed for the year in which the taxes
 5 stated in the abstract are to be paid; plus
 6 (3) the amounts, if any, of county adjusted gross income taxes that
 7 were applied by the taxing units in the county as property tax
 8 replacement credits to reduce the individual levies of the taxing
 9 units for the assessment year, as provided in IC 6-3.5-1.1; plus
 10 (4) the amounts, if any, by which the maximum permissible ad
 11 valorem property tax levies of the taxing units of the county were
 12 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 13 assessment year; plus
 14 (5) the difference between:
 15 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 16 minus
 17 (B) the amount the civil taxing units' levies were increased
 18 because of the reduction in the civil taxing units' base year
 19 certified shares under IC 6-1.1-18.5-3(e).
 20 (h) "December settlement sheet" means the certificate of settlement
 21 filed by the county auditor with the auditor of state, as required under
 22 IC 6-1.1-27-3.
 23 (i) "Tax duplicate" means the roll of property taxes *which that* each
 24 county auditor is required to prepare *on or before March 1 of* each year
 25 under IC 6-1.1-22-3.
 26 (j) "Eligible property tax replacement amount" is, except as
 27 otherwise provided by law, equal to the sum of the following:
 28 (1) Sixty percent (60%) **or the percentage determined under**
 29 **section 2.3 of this chapter** of the total county tax levy imposed
 30 by each school corporation in a county for its general fund for a
 31 stated assessment year.
 32 (2) Twenty percent (20%) **or the percentage determined under**
 33 **section 2.3 of this chapter** of the total county tax levy (less sixty
 34 percent (60%) of the levy for the general fund of a school
 35 corporation that is part of the total county tax levy) imposed in a
 36 county on real property for a stated assessment year **excluding:**
 37 **(A) real property parcels referred to in subdivisions (3)**
 38 **through (6);**
 39 **(B) each real property parcel that:**
 40 **(i) is assessed as residential property under the rules of**
 41 **the department of local government finance;**
 42 **(ii) includes more than four (4) family dwellings; and**

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- 1 (iii) has a combined assessed value of land and
- 2 improvements that exceeds three million dollars
- 3 (\$3,000,000); and
- 4 (C) each real property parcel that:
 - 5 (i) is assessed as commercial or industrial property
 - 6 under the rules of the department of local government
 - 7 finance; and
 - 8 (ii) has a combined assessed value of land and
 - 9 improvements that exceeds three million dollars
 - 10 (\$3,000,000).
- 11 (3) Twenty percent (20%) of the total county tax levy (less
- 12 sixty percent (60%) or the percentage determined under
- 13 section 2.3 of this chapter of the levy for the general fund of
- 14 a school corporation that is part of the total county tax levy)
- 15 imposed in a county on real property for a stated assessment
- 16 year attributable to:
 - 17 (A) for single family dwelling parcels with combined gross
 - 18 assessed valuations of land and improvements that do not
 - 19 exceed three hundred thousand dollars (\$300,000), the
 - 20 total of the remainders with respect to each parcel of:
 - 21 (i) the gross assessed valuation of the parcel; minus
 - 22 (ii) any deductions applied to the gross assessed
 - 23 valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or
 - 24 (B) for single family dwelling parcels with combined gross
 - 25 assessed valuations of land and improvements that exceed
 - 26 three hundred thousand dollars (\$300,000), the total of the
 - 27 remainders with respect to each parcel of:
 - 28 (i) the part of the gross assessed valuation of the parcel
 - 29 that equals three hundred thousand dollars (\$300,000);
 - 30 minus
 - 31 (ii) the apportioned amount under section 2.2 of this
 - 32 chapter of any deductions for the parcel.
- 33 (4) Twenty percent (20%) of the total county tax levy (less
- 34 sixty percent (60%) or the percentage determined under
- 35 section 2.3 of this chapter of the levy for the general fund of
- 36 a school corporation that is part of the total county tax levy)
- 37 imposed in a county on real property for a stated assessment
- 38 year attributable to:
 - 39 (A) for two (2) family dwelling parcels with combined
 - 40 gross assessed valuations of land and improvements that
 - 41 do not exceed four hundred thousand dollars (\$400,000),
 - 42 the total of the remainders with respect to each parcel of:

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(i) the gross assessed valuation of the parcel; minus
(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or
(B) for two (2) family dwelling parcels with combined gross assessed valuations of land and improvements that exceed four hundred thousand dollars (\$400,000), the total of the remainders with respect to each parcel of:

(i) the part of the gross assessed valuation of the parcel that equals four hundred thousand dollars (\$400,000); minus
(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(5) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for three (3) family dwelling parcels with combined gross assessed valuations of land and improvements that do not exceed five hundred thousand dollars (\$500,000), the total of the remainders with respect to each parcel of:

(i) the gross assessed valuation of the parcel; minus
(ii) any deductions applied to the gross assessed valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or
(B) for three (3) family dwelling parcels with combined gross assessed valuations of land and improvements that exceed five hundred thousand dollars (\$500,000), the total of the remainders with respect to each parcel of:
(i) the part of the gross assessed valuation of the parcel that equals five hundred thousand dollars (\$500,000); minus
(ii) the apportioned amount under section 2.2 of this chapter of any deductions for the parcel.

(6) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to:

(A) for four (4) family dwelling parcels with combined gross assessed valuations of land and improvements that

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1 do not exceed six hundred thousand dollars (\$600,000), the
2 total of the remainders with respect to each parcel of:

3 (i) the gross assessed valuation of the parcel; minus

4 (ii) any deductions applied to the gross assessed
5 valuation under IC 6-1.1-12 or IC 6-1.1-12.1; or

6 (B) for four (4) family dwelling parcels with combined
7 gross assessed valuations of land and improvements that
8 exceed six hundred thousand dollars (\$600,000), the total
9 of the remainders with respect to each parcel of:

10 (i) the part of the gross assessed valuation of the parcel
11 that equals six hundred thousand dollars (\$600,000);
12 minus

13 (ii) the apportioned amount under section 2.2 of this
14 chapter of any deductions for the parcel.

15 (7) Fifteen percent (15%) of the total county tax levy (less
16 sixty percent (60%) or the percentage determined under
17 section 2.3 of this chapter of the levy for the general fund of
18 a school corporation that is part of the total county tax levy)
19 imposed in a county on real property for a stated assessment
20 year attributable to, for parcels with combined gross assessed
21 valuations of land and improvements that exceed three
22 hundred thousand dollars (\$300,000) and do not exceed one
23 million two hundred thousand dollars (\$1,200,000) and that
24 are five (5) or more family dwelling parcels or parcels
25 assessed as commercial or industrial property under the rules
26 of the department of local government finance, the total of the
27 remainders with respect to each parcel of:

28 (A) the gross assessed valuation of the parcel; minus

29 (B) any deductions applied to the gross assessed valuation
30 under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42,
31 or IC 6-1.1-45.

32 (8) Ten percent (10%) of the total county tax levy (less sixty
33 percent (60%) or the percentage determined under section 2.3
34 of this chapter of the levy for the general fund of a school
35 corporation that is part of the total county tax levy) imposed
36 in a county on real property for a stated assessment year
37 attributable to, for parcels with combined gross assessed
38 valuations of land and improvements that exceed one million
39 two hundred thousand dollars (\$1,200,000) and do not exceed
40 two million one hundred thousand dollars (\$2,100,000) and
41 that are five (5) or more family dwelling parcels or parcels
42 assessed as commercial or industrial property under the rules

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of the department of local government finance, the total of the remainders with respect to each parcel of:

- (A) the gross assessed valuation of the parcel; minus
- (B) any deductions applied to the gross assessed valuation under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42, or IC 6-1.1-45.

(9) Five percent (5%) of the total county tax levy (less sixty percent (60%) or the percentage determined under section 2.3 of this chapter of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on real property for a stated assessment year attributable to, for parcels with combined gross assessed valuations of land and improvements that exceed two million one hundred thousand dollars (\$2,100,000) and do not exceed three million dollars (\$3,000,000) and that are five (5) or more family dwelling parcels or parcels assessed as commercial or industrial property under the rules of the department of local government finance, the total of the remainders with respect to each parcel of:

- (A) the gross assessed valuation of the parcel; minus
- (B) any deductions applied to the gross assessed valuation under IC 6-1.1-12, IC 6-1.1-12.1, IC 6-1.1-12.4, IC 6-1.1-42, or IC 6-1.1-45.

(10) Twenty percent (20%) of the total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) imposed in a county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

- (1) held for sale in the ordinary course of a trade or business; or
- (2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means, except as otherwise provided by law, the sum of the following:

- (1) Sixty percent (60%) or the percentage determined under section 2.3 of this chapter of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.
- (2) Twenty percent (20%), or a percentage based on the amount of property tax replacement credit to which the taxpayer is entitled based on the part of the total county tax

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1 **levy for which the taxpayer is liable as described in subsection**
2 **(j), of a taxpayer's tax liability for a stated assessment year for a**
3 **total county tax levy (less sixty percent (60%) or the percentage**
4 **determined under section 2.3 of this chapter** of the levy for the
5 general fund of a school corporation that is part of the total county
6 tax levy) on real property.

7 (3) Twenty percent (20%) of a taxpayer's tax liability for a stated
8 assessment year for a total county tax levy (less sixty percent
9 **(60%) or the percentage determined under section 2.3 of this**
10 **chapter** of the levy for the general fund of a school corporation
11 that is part of the total county tax levy) on tangible personal
12 property other than business personal property.

13 (m) "Tax liability" means tax liability as described in section 5 of
14 this chapter.

15 (n) "General school operating levy" means the ad valorem property
16 tax levy of a school corporation in a county for the school corporation's
17 general fund.

18 (o) "Board" refers to the property tax replacement fund board
19 established under section 10 of this chapter.

20

(p) "Family dwelling parcel" means a parcel on which is located
21 **real property improvements that include the indicated number of**
22 **family dwellings.**

23 SECTION 3. IC 6-1.1-21-2.2 IS ADDED TO THE INDIANA
24 CODE AS A NEW SECTION TO READ AS FOLLOWS
25 [EFFECTIVE UPON PASSAGE]: **Sec. 2.2. If the gross assessed**
26 **valuation of a parcel exceeds the amount referred to in section**
27 **2(j)(3), 2(j)(4), 2(j)(5), or 2(j)(6) of this chapter, any deductions**
28 **applied for purposes of section 2(j) of this chapter to the gross**
29 **assessed valuation of the parcel under IC 6-1.1-12 or IC 6-1.1-12.1**
30 **are apportioned proportionately between:**

- 31 **(1) the part of the gross assessed valuation of the parcel that**
32 **equals the amount referred to in section 2(j)(3), 2(j)(4), 2(j)(5),**
33 **or 2(j)(6) of this chapter; and**
- 34 **(2) the part of the gross assessed valuation of the parcel that**
35 **exceeds the amount referred to in section 2(j)(3), 2(j)(4),**
36 **2(j)(5), or 2(j)(6) of this chapter.**

37 SECTION 4. IC 6-1.1-21-2.3 IS ADDED TO THE INDIANA
38 CODE AS A NEW SECTION TO READ AS FOLLOWS
39 [EFFECTIVE UPON PASSAGE]: **Sec. 2.3. (a) With respect to**
40 **property taxes first due and payable in each year, the department**
41 **of local government finance shall:**

- 42 **(1) determine the amount, notwithstanding section 2.5 of this**

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1 chapter or any other law, that the state's liability for
2 payments from the property tax replacement fund would be
3 reduced for that year as a result of the amendments made in
4 the 2006 session of the general assembly to:

- 5 (A) IC 6-1.1-20.9-2; and
- 6 (B) section 2 of this chapter; and
- 7 (2) determine an adjusted percentage to be substituted for
- 8 sixty percent (60%) each place where sixty percent (60%)
- 9 appears in section 2(j) and 2(l) of this chapter that would
- 10 result in an increase in payments from the property tax
- 11 replacement fund to school corporations for that year in the
- 12 amount determined under subdivision (1).

13 (b) The adjusted percentage determined under subsection (a)(2)
14 is:

- 15 (1) substituted in; and
- 16 (2) applied under;
- 17 section 2(j) and 2(l) of this chapter before percentage adjustments
- 18 are made under section 2.5 of this chapter or any other law.

19 SECTION 5. IC 6-1.1-21-2.5, AS ADDED BY P.L.246-2005,
20 SECTION 65, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
21 UPON PASSAGE]: Sec. 2.5. (a) Annually, before the department
22 determines the eligible property tax replacement amount for a year
23 under section 3 of this chapter and the department of local government
24 finance makes its certification under section 3(b) of this chapter, the
25 budget agency shall determine the sum of the following:

- 26 (1) One billion one hundred twenty-one million seven hundred
- 27 thousand dollars (\$1,121,700,000).
- 28 (2) An amount equal to the net amount of revenue, after deducting
- 29 collection allowances and refunds, that the budget agency
- 30 estimates will be collected in a particular calendar year from the
- 31 part of the gross retail and use tax rate imposed under IC 6-2.5
- 32 equal to one percent (1%).

33 The estimate made under this subsection must be consistent with the
34 latest technical forecast of state revenues that is prepared for
35 distribution to the general assembly and the general public and
36 available to the budget agency at the time that the estimate is made.

37 (b) The department may not distribute eligible property tax
38 replacement amounts and eligible homestead credit replacement
39 amounts for a year under this chapter that, in the aggregate, is less than
40 the amount computed under subsection (a).

41 (c) Annually, before the department determines the eligible property
42 tax replacement amount for a year under section 3 of this chapter and

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1 the department of local government finance makes its certification
 2 under section 3(b) of this chapter, the budget agency shall determine
 3 whether the total amount of property tax replacement credits granted
 4 in Indiana under section 5 of this chapter and homestead credits
 5 granted in Indiana under IC 6-1.1-20.9-2 for a year, determined without
 6 applying subsection (b), will be less than the amount determined under
 7 subsection (b). The budget agency shall give notice of its determination
 8 to the members of the board and, in an electronic format under
 9 IC 5-14-6, the general assembly. If the budget agency determines that
 10 the amount determined under subsection (b) will not be exceeded in a
 11 particular year, the board shall increase for that year the percentages
 12 used to determine a taxpayer's property tax replacement credit amount
 13 and the homestead credit percentage applicable under IC 6-1.1-20.9-2
 14 so that the total amount of property tax replacement credits granted in
 15 Indiana under section 5 of this chapter and homestead credits granted
 16 in Indiana under IC 6-1.1-20.9-2 at least equals the amount determined
 17 under subsection (b). In making adjustments under this subsection, the
 18 board shall increase percentages in the following order until the total
 19 of property tax replacement credits granted under section 5 of this
 20 chapter and homestead credits granted under IC 6-1.1-20.9-2 for the
 21 year at least equals the amount determined under subsection (b):

22 (1) The homestead credit percentage specified in IC 6-1.1-20.9-2
 23 until the homestead percentage reaches the lesser of:

- 24 (A) thirty percent (30%); or
- 25 (B) the percentage at which the total of property tax
 26 replacement credits granted under section 5 of this chapter and
 27 homestead credits granted under IC 6-1.1-20.9-2 for the year
 28 at least equals the amount determined under subsection (b).

29 (2) If the amount determined under subsection (b) is not exceeded
 30 after increasing the homestead percentage under subdivision (1),
 31 the board shall increase the property tax replacement credit
 32 percentage specified in section 2(j)(1) and 2(l)(1) of this chapter
 33 until the property tax replacement percentage reaches the lesser
 34 of:

- 35 (A) seventy percent (70%); or
- 36 (B) the percentage at which the total of property tax
 37 replacement credits granted under section 5 of this chapter and
 38 homestead credits granted under IC 6-1.1-20.9-2 for the year,
 39 as adjusted under this subsection, at least equals the amount
 40 determined under subsection (b).

41 (3) If the amount determined under subsection (b) is not exceeded
 42 after making all possible increases in credit percentages under

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1 subdivisions (1) and (2), the board shall increase the property tax
 2 replacement credit percentages specified in section 2(j)(2) ~~2(j)(3)~~;
 3 **through 2(j)(10)**, 2(l)(2), and 2(l)(3) of this chapter to the
 4 percentage at **which** the total of property tax replacement credits
 5 granted under section 5 of this chapter and homestead credits
 6 granted under IC 6-1.1-20.9-2 for the year, as adjusted under this
 7 subsection, at least equals the amount determined under
 8 subsection (b).

9 (d) The adjusted percentages set under subsection (c):

10 (1) are the percentages that apply under:

11 (A) section 5 of this chapter to determine a taxpayer's property
 12 tax replacement credit amount; and

13 (B) IC 6-1.1-20.9-2 to determine a taxpayer's homestead
 14 credit; and

15 (2) must be used by the:

16 (A) department in estimating the eligible property tax
 17 replacement amount under section 3 of this chapter; and

18 (B) department of local government finance in making its
 19 certification under section 3(b) of this chapter;

20 and for all other purposes under this chapter and IC 6-1.1-20.9
 21 related to distributions under this chapter;

22 for the particular year covered by a budget agency's determination
 23 under subsection (c).

24 SECTION 6. IC 6-1.1-21-7 IS AMENDED TO READ AS
 25 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 7. (a)
 26 Notwithstanding IC 6-1.1-26, any taxpayer who is entitled to a credit
 27 under this chapter or who has properly filed for and is entitled to a
 28 credit under IC 6-1.1-20.9, and who, without taking the credit, pays in
 29 full the taxes to which the credit applies, is entitled to a refund, without
 30 interest, of an amount equal to the amount of the credit. However, if the
 31 taxpayer, at the time a refund is claimed, owes any other taxes, interest,
 32 or penalties payable to the county treasurer to whom the taxes subject
 33 to the credit were paid, then the credit shall be first applied in full or
 34 partial payment of the other taxes, interest, and penalties and the
 35 balance, if any, remaining after that application is available as a refund
 36 to the taxpayer.

37 (b) Any taxpayer entitled to a refund under this section shall be paid
 38 that refund from proceeds of the property tax replacement fund.
 39 However, with respect to any refund attributable to a homestead credit,
 40 the refund shall be paid from that fund only to the extent that the
 41 percentage homestead credit the taxpayer was entitled to receive for a
 42 year does not exceed the percentage credit allowed in

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1 **IC 6-1.1-20.9-2(b) or IC 6-1.1-20.9-2(d)** for that same year. Any
2 refund in excess of that amount shall be paid from the county's revenue
3 distributions received under IC 6-3.5-6.

4 (c) The state board of accounts shall establish an appropriate
5 procedure to simplify and expedite the method for claiming these
6 refunds and for the payments thereof, as provided for in this section,
7 which procedure is the exclusive procedure for the processing of the
8 refunds. The procedure shall, however, require the filing of claims for
9 the refunds by not later than June 1 of the year following the payment
10 of the taxes to which the credit applied.

11 SECTION 7. IC 6-1.1-21-9 IS AMENDED TO READ AS
12 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 9. (a) On or before
13 October 15 of each year, each county auditor shall make a settlement
14 with the department as to the aggregate amount of property tax
15 replacement credits extended to taxpayers in the auditor's county
16 during the first eight (8) months of that same year. On or before
17 December 31 of each year, each county auditor shall make a settlement
18 with the department along with the filing of the county auditor's
19 December settlement as to the aggregate amount of property tax
20 replacement credits extended to taxpayers in the auditor's county
21 during the last four (4) months of that same year. If the aggregate
22 credits allowed during either period exceed the property tax
23 replacement funds allocated and distributed to the county treasurer for
24 that same period, as provided in sections 4 and 5 of this chapter, then
25 the department shall certify the amount of the excess to the auditor of
26 state who shall issue a warrant, payable from the property tax
27 replacement fund, to the treasurer of the state ordering the payment of
28 the excess to the county treasurer. If the distribution exceeds the
29 aggregate credits, the county treasurer shall repay to the treasurer of the
30 state the amount of the excess, which shall be redeposited in the
31 property tax replacement fund.

32 (b) In making the settlement required by subsection (a), the county
33 auditor shall recognize the fact that any loss of revenue resulting from
34 the provision of homestead credits in excess of the percentage credit
35 allowed in **IC 6-1.1-20.9-2(b) or IC 6-1.1-20.9-2(d)** must be paid from
36 county option income revenues.

37 (c) Except as otherwise provided in this chapter, the state board of
38 accounts with the cooperation of the department shall prescribe the
39 accounting forms, records, and procedures required to carry out the
40 provisions of this chapter.

41 SECTION 8. IC 12-20-25-45 IS AMENDED TO READ AS
42 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 45. (a)

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1 Notwithstanding IC 6-3.5-6, after the termination of the controlled
 2 status of all townships located in a county as provided in section 41 of
 3 this chapter and if the county option income tax is imposed under this
 4 chapter, the county fiscal body may adopt an ordinance to:
 5 (1) increase the percentage credit allowed for homesteads in the
 6 county under IC 6-1.1-20.9-2; or
 7 (2) reduce the county option income tax rate for resident county
 8 taxpayers to a rate not less than the greater of:
 9 (A) the minimum rate necessary to satisfy the requirements of
 10 section 43 of this chapter; or
 11 (B) the minimum rate necessary to satisfy the requirements of
 12 sections 43 and 46(2) of this chapter if an ordinance is adopted
 13 under subdivision (1).
 14 (b) A county fiscal body may not increase the percentage credit
 15 allowed for homesteads in such a manner that more than eight percent
 16 (8%) is added to the percentage established under **IC 6-1.1-20.9-2(b)**
 17 **or IC 6-1.1-20.9-2(d)**.
 18 (c) The increase in the homestead credit percentage must be uniform
 19 for all homesteads in a county.
 20 (d) In an ordinance that increases the homestead credit percentage,
 21 the county fiscal body may provide for a series of increases or
 22 decreases to take place for each of a group of succeeding calendar
 23 years.
 24 (e) An ordinance may be adopted under this section after January 1
 25 but before June 1 of a calendar year.
 26 (f) An ordinance adopted under this section takes effect January 1
 27 of the next calendar year.
 28 (g) An ordinance adopted under this section for a county is not
 29 applicable for a year if on January 1 of that year the county option
 30 income tax is not in effect.
 31 **SECTION 9. [EFFECTIVE UPON PASSAGE] IC 6-1.1-21-2,**
 32 **IC 6-1.1-21-2.5, IC 6-1.1-21-7, IC 6-1.1-21-9, and IC 12-20-25-45,**
 33 **all as amended by this act, and IC 6-1.1-21-2.2 and IC 6-1.1-21-2.3,**
 34 **both as added by this act, apply only to property taxes first due and**
 35 **payable after December 31, 2006.**
 36 **SECTION 10. An emergency is declared for this act.**

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